

Message Text

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ACTION ARA-10

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NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 EB-08
COME-00 TRSE-00 OMB-01 AID-05 OPIC-03 XMB-02 /075 W
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R 252032Z JAN 77
FM AMEMBASSY QUITO
TO SECSTATE WASHDC 2993

C O N F I D E N T I A L QUITO 0560

E.O. 11652: GDS
TAGS: EINV, ENRG, PFOR, EC
SUBJECT: GULF-GOE NEGOTIATIONS

1. SUMMARY: SEVILLA TOLD AMBASSADOR THAT VARGAS HAS REFUSED TO SIGN THE DECREE AUTHORIZING THE SHORT-TERM LOAN ON THE GROUNDS THAT THE CENTRAL GOVERNMENT RATHER THAN CEPE SHOULD BE THE PARTY RESPONSIBLE FOR REPAYMENT. SEVILLA SAID THE CENTRAL GOVERNMENT WILL ASSUME THE LOAN IF VARGAS CONTINUES TO HOLD OUT. THE AMBASSADOR HAS EXPRESSED CONCERN ABOUT THE SITUATION TO PRESIDENT POVEDA, WHO SAID HE WILL LOOK INTO IT PROMPTLY. END SUMMARY.

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2. LOCAL GULF MANAGER JACK O'BRIEN CALLED ON AMBASSADOR JANUARY 24 TO ASK ASSISTANCE IN SPEEDING UP THE SIGNING OF THE GULF-GOE AGREEMENT. O'BRIEN REPORTED THERE NOW APPEAR TO BE THREE PROBLEMS HOLDING UP THE AGREEMENT: GOE OBJECTIONS RE THE FORM AND THE MINOR DETAILS OF THE LETTERS OF CREDIT; CEPE'S INSISTENCE ON GULF'S "DEFINITIVE" WITHDRAWAL OF THE ARCO SUIT; AND GOE PROBLEMS IN SECURING THE SHORT-TERM \$100 MILLION LOAN.

3. O'BRIEN OPINED THAT THE GOE WAS RAISING PETTY OBJECTIONS TO THE LETTERS OF CREDIT MERELY AS A DELAYING TACTIC IN THE FACE OF THE LACK OF FINANCING; GULF, HE SAID, DID NOT
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CONSIDER THE LETTERS-OF-CREDIT ISSUE TO BE A SERIOUS ROADBLOCK.

4. O'BRIEN SAID CEPE MANAGER MIRANDA NOW WANTS GULF'S ASSURANCE THAT THE ARCO SUIT WILL NEVER BE REINSTATED, AS A CONDITION FOR SIGNING THE GULF-GOE AGREEMENT. GULF IS NOW WORKING ON MUTUAL RELEASES BETWEEN ARCO, BROKER MARC RICH AND TEXACO WHICH SHOULD BE SATISFACTORY TO CEPE.

5. MORE SERIOUS, O'BRIEN SAID, ARE GOE DELAYS IN SECURING A SHORT-TERM \$100 MILLION LOAN FROM LOEB-RHOADES AND MORGAN GUARANTY. THE LOAN WAS DUE TO BE CLOSED IN NEW YORK LAST WEEK BUT NO GOE REPRESENTATIVE APPEARED. SEVILLA HAS ANNOUNCED TO THE PRESS THAT AS AN INTERIM MEASURE HE IS CONSIDERING PAYING GULF OUT OF THE GOE'S INTERNATIONAL MONETARY RESERVES; BUT SEVILLA HAS TOLD GULF THAT THE NECESSARY DECREE AUTHORIZING SUCH PAYMENT WOULD NOT BE EFFECTED FOR SEVERAL DAYS.

6. AMBASSADOR CALLED ON SEVILLA JANUARY 25 TO EXPRESS CONCERN ABOUT THE DELAYS. SEVILLA SAID HE PLANNED TO PAY GULF OUT OF THE MONETARY RESERVES AND THEN REPLENISH THE RESERVES WITH THE \$100 MILLION SHORT-TERM LOAN FROM LOEB-RHOADES AND MORGAN GUARANTY. SEVILLA EXPLAINED THAT BOTH TRANSACTIONS REQUIRED A DECREE, BUT VARGAS HAD REFUSED TO SIGN THE DECREE AUTHORIZING THE SHORT-TERM LOAN BECAUSE CEPE WOULD BE THE PARTY RESPONSIBLE FOR REPAYMENT. VARGAS STRESSED THAT CEPE WILL NOT HAVE SUFFICIENT INCOME TO PAY BACK GULF, AND THE CENTRAL GOVERNMENT SHOULD THEREFORE BE RESPONSIBLE FOR THE LOAN. SEVILLA TOLD THE AMBASSADOR, THAT SHOULD IT BE NECESSARY, SEVILLA WOULD BE WILLING TO CHANGE THE DRAFT TEXT OF THE DECREE, AND WOULD LATER DECIDE WHICH ENTITY IS RESPONSIBLE FOR REPAYMENT. SEVILLA SAID HE FEELS THAT VARGAS IS PURPOSELY OBSTRUCTING THE AGREEMENT IN ORDER TO REMAIN IN OFFICE, SINCE VARGAS WILL PRESUMABLY NOT BE OUSTED UNTIL THE BUY-OUT OF GULF IS CONCLUDED. SEVILLA ASKED THE AMBASSADOR TO DISCUSS THE MATTER WITH ADMIRAL POVEDA.

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7. THE AMBASSADOR SUBSEQUENTLY BROUGHT THE MATTER TO THE ATTENTION OF POVEDA, WHO SAID HE WOULD LOOK INTO IT PROMPTLY.
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Message Attributes

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Control Number: n/a
Copy: SINGLE
Sent Date: 25-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
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